

AT&T

NEWS

NEWSBRIEFS

LUCENT TECHNOLOGIES SHARES — represented by the ticker letters LU — began trading on the New York Stock Exchange April 4. More than 112 million shares were offered at \$27 per share. The initial public offering came just six months after AT&T decided to reinvent itself by becoming three separate companies. In a letter to employees, Bob Allen said the historic event "speaks to the determination of AT&T and Lucent people to turn plans into actions — on time, as a team and on behalf of customers."

NEWS THAT WALTER MURPHY, senior vice president of global sales for AT&T Submarine Systems Inc., was killed in the April 3 plane crash in the Balkans saddened all AT&T people. Murphy, who was knowledgeable about what it would take to rebuild Bosnia's war-torn telecommunications infrastructure, was part of a trade delegation led by U.S. Commerce Secretary Ron Brown. He was 52.

DISCOUNTS AND EASY ACCESS to CompuServe's on-line content and services will soon be available to users of AT&T *WorldNet* Service, the company's value-added Internet access provider. This is the company's second agreement with a major provider of on-line services; AT&T *WorldNet* Service already announced a similar arrangement with America Online.

INSIDE NEWS

Compensation, Career Plan Changes Coming for Technical Community

2

1995 Chairman's Quality Awards Recognize Business Excellence

3

AT&T Helps to Shape the Internet

4

NCR Recognizes Innovative Spirit of Employees

6

New Approach to AT&T's Business Customers

7

Employees Eligible for DIRECTV Discounts

AT&T employees and retirees are eligible to save \$250 off the \$800 price that customers will pay for hardware and installation to receive satellite TV programming from DIRECTV.

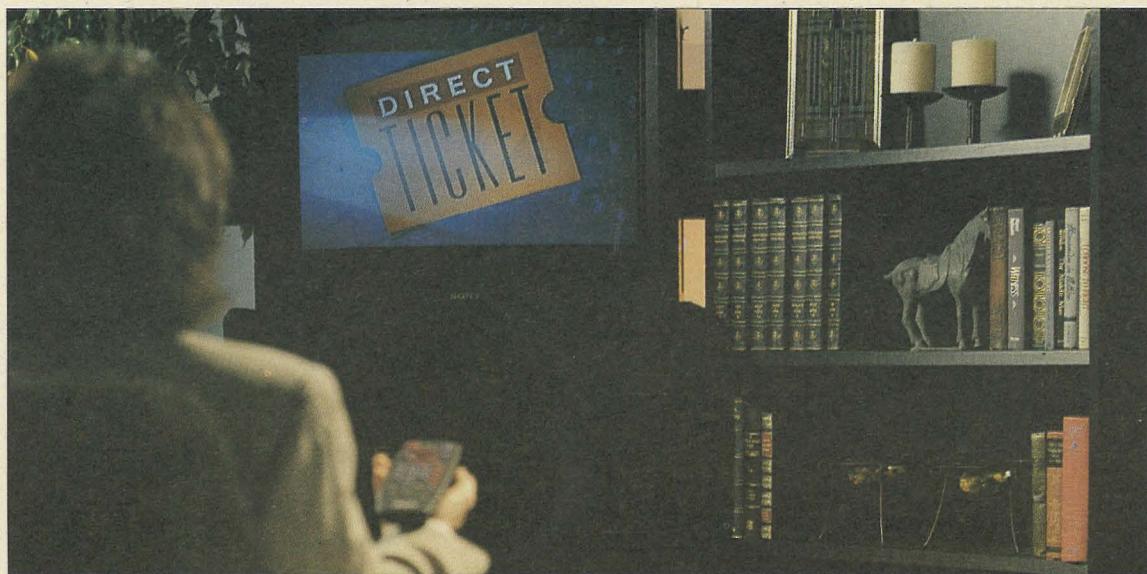
DIRECTV's Total Choice™ service package features a selection of 60 channels, including ESPN 1&2, The Disney Channel and Music Choice — 29 commercial-free, digital quality audio channels. The package is \$29.95 a month.

For an additional \$34.95 a month, the USSB Entertainment Plus® package from U.S. Satellite Broadcast features more than 13 movie channels, including HBO, Showtime and Nickelodeon/Nick at Night®.

AT&T employees are asked not to call the numbers advertised for the general public so that the company can handle everyone's calls quickly and efficiently. Employees can call 800-884-3366 for the latest information.

Information on the DIRECTV offer will be mailed to employees at their homes. The company will start taking employee orders on May 1.

AT&T Offers Customers Discounts for DIRECTV



A demonstration of the DIRECTV direct broadcast satellite service was presented at a news conference at the Empire State Building in New York to announce the pending availability of the service to AT&T customers.

BY ED LOPEZ

AGAINST A BACKDROP OF a shifting marketplace that presents new opportunities for AT&T, the company announced it will start selling DIRECTV® satellite entertainment services and DSS® equipment in four markets next month and throughout the country by mid-summer.

Special offers for DIRECTV service and equipment will be extended to AT&T long-distance and Universal Card customers. AT&T employees and retirees will also be eligible for special discounts (See article at left).

"We intend to harness the fundamental changes that are sweeping through the industry and make them work for us and our customers," Allen said.

Allen said the DIRECTV announcement represents continued momentum for AT&T as it positions itself for future growth.

He noted two other recent major announcements: Internet access through AT&T *WorldNet*, which took the on-line world by storm, and AT&T's intent to enter local markets for telephone service.

"The strategy of AT&T is clear. We will be the leader in providing all kinds of personal

and business communications," he said.

DIRECTV is another step toward implementing Target: Growth 2005, a strategic plan to provide a foundation for AT&T as it enters an era of new and heightened competition.

Residents in Connecticut, Tampa/St. Petersburg, Fla., Dallas and Los Angeles can order DIRECTV programming from AT&T. The offering includes up to 175 channels of digital entertainment: movies, sports, news and pay-per-view events. AT&T will begin promoting the offer in the four markets on May 1.

See DIRECTV, page 8

"This deal brings the new world of entertainment and information closer to consumers' fingertips."

— Joe Nacchio

DIRECTV, the nation's leading direct broadcast satellite service, offers consumers unprecedented programming choices with laser disc-quality pictures and CD-quality sound.

Putting the announcement in context, Chairman Bob Allen said the DIRECTV deal represents an important step in the convergence of communications and entertainment.

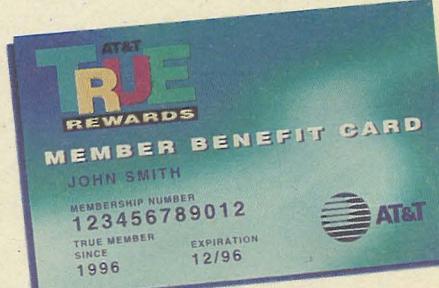
True Rewards Program Is Best in Industry

BY ED LOPEZ AND KATHY ORMOSI

LEAPING FAR AHEAD OF the competition, the new AT&T *True Rewards* program has become the largest, most wide-ranging consumer-loyalty program in the communications industry.

In contrast to loyalty programs for Sprint and MCI, which offer points-based programs to customers who spend a minimum of \$25 a month, the new *True Rewards* plan will also offer everyday values to AT&T customers who spend as little as \$5 a month.

The *True Rewards* plan, introduced in 1994, is designed to form closer bonds with exist-



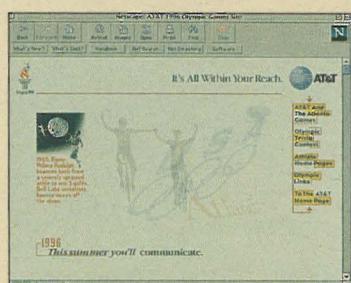
ing customers and to provide other consumers an incentive to choose AT&T for long-distance service.

The new program, available May 1 (pending tariff effectiveness), offers members exclusive, on-the-spot deals on entertainment, travel, food, retail

See *TRUE REWARDS*, page 3

AROUND AT&T

OLYMPIC WEB SITE



With a click of the mouse, AT&T is bringing the excitement of the 1996 Centennial Olympic Games to millions of Internet users. The site (<http://www.olympic.att.com/>) features interviews and color action photos of the hottest athletes and hopefuls. Weekly trivia contests, which will run through the Aug. 4 closing ceremony, will test surfers' knowledge of AT&T and historic Olympic moments.

Winners will receive official basketballs signed by a U.S. basketball Dream Team player. Cyberspace visitors also will get a sneak peek at the AT&T Global Olympic Village, the public centerpiece of Centennial Olympic Park in downtown Atlanta. AT&T WorldNet Service provides easy and secure access to the AT&T Olympic Internet site and other web locations.

OLYMPIC GAMES SWEEPSTAKES

Callers who use AT&T to place international direct-dial calls from their homes through Mother's Day, May 12, are automatically eligible for a chance to win a trip for two to the 1996 Centennial Olympic Games in Atlanta. The AT&T International Long Distance Olympic Games Sweepstakes will award eight grand-prize trips to Atlanta, plus merchandise and other prizes to 2,600 other winners. Employees are not eligible for the sweepstakes.

For more information, call 800-215-8867.

AT&T AWARDS PROGRAM

Continuing a long tradition of scientific and technical recognition through its former Bell Labs Fellows Program, AT&T has assembled a committee to plan and implement an AT&T Awards program. The program will honor members of AT&T's technical community for their scientific and technical excellence in support of AT&T's business. The awards committee leaders include: Sandy Fraser and Rich Roca from AT&T Laboratories; John Davis and Dan Sheinbein from Network & Computing Services; and Doreen Yochum from AT&T's Strategy and New Service Innovation organization. Details of the new awards program and a schedule for the conferring of awards will be announced soon.

SPIN-OFF CONSIDERED TAX-FREE

In another milestone in the AT&T restructuring process that began last Sept. 20, the Internal Revenue Service ruled that the planned distribution and initial public offering of Lucent Technologies shares qualify as tax-free for AT&T, Lucent and AT&T shareowners. By the end of the year, AT&T expects to distribute to AT&T shareowners the Lucent shares it holds after the planned public offering.

INNOVATIVE NEW PRODUCT



The Multimedia Communications eXchange Server (MMCX) from **Lucent Technologies Business Communications Systems** was named the most innovative new product in the ComNet '96 New Product Award competition sponsored by *Computerworld* magazine. Products were judged on innovation, industry contribution, integration with current product line, migration capabilities and return on investment. MMCX links existing voice and data networks while helping prepare customers to evolve to a single multimedia network environment.

Winners receive exclusive rights to use the award logo in promotional literature for one year.

WORLD'S LARGEST DATABASE AT WAL-MART

NCR is helping the world's largest retailer, **Wal-Mart Stores Inc.**, expand its current data warehouse into the largest commercial database system in the world. The multi-million-dollar sale includes a 32-node *WorldMark* 5100 Massively Parallel Processing system, Teradata Database for UNIX® and professional services. Wal-Mart's decision-support system now can store more than 7.5 terabytes, or the equivalent of nearly 2 billion pages of text. Using NCR's Teradata database, this system provides information on customer buying trends and merchandise volume and movement in almost 3,000 Wal-Mart stores and clubs in six countries.

FCC LOOSENS REINS

The Federal Communications Commission (FCC) has proposed two actions that would lessen regulatory restraint on long-distance carriers. The first would end the practice of requiring carriers to file public tariffs. The second would lift the ban on offerings by carriers that package service and telephone equipment. These proposals, both favored by AT&T, logically follow the 1995 decision by the FCC to reclassify AT&T as a nondominant carrier. They also conform with the intent of the Telecommunications Act of 1996 to reduce federal restrictions in the telecommunications industry.



New Look for Web Site



Service, request an AT&T Universal Card, preview the Olympics in Atlanta and get glimpses of the company's innovative research. They can also see annual reports, financial information, stock quotes, a fact book, technical and business magazines, and thousands of news releases and information on AT&T's global activities, new technologies and innovations.

The site provides easy browsing through almost 10,000 pages of company information, which offers databases of toll-free numbers and resource guides for entrepreneurs, telecommuters and international callers. Since going on line in October 1994, the AT&T web site has hosted millions of visitors and was cited as one of the best corporate sites. ■

Compensation, Career Plan Changes Coming for Technical Community

BY NANCY CULTON

AT&T TECHNICAL EMPLOYEES soon will move to the same management pay plan as other AT&T employees. They also will participate in a new career ladder that will provide a clear, consistent framework for personal and professional growth, as well as career development.

"Using two separate compensation schemes no longer met our business needs," said Ron Ponder, executive vice president, Operations and Service Management division. "Moving to a single compensation plan helps assure equity and fairness and makes it easier for people to move between technical and management positions."

For the entire 1996 performance year, employees in technical classifications (DMTS, MTS, MTS-1, STA and TA) will receive compensation under the Management Pay Plan (MPP).

Besides moving to a different compensation plan, AT&T's technical community also will adopt an enhanced career plan — the AT&T Technical Career Plan (TCP).

A design team of representatives from technical communities across AT&T and human resources developed the new plan.

Previously, AT&T had two career plans for technical professionals: one for research and development professionals, the Technical Personnel Plan (TPP), and another for Information Systems professionals, the Professional Career Plan (PCP). Individual contributors in TPP and PCP faced limited career growth.

Now, the TCP will combine both of these career ladders and provide more rungs for promotion and easier movement across the business for approximately 10,000 "new AT&T" individual contributors.

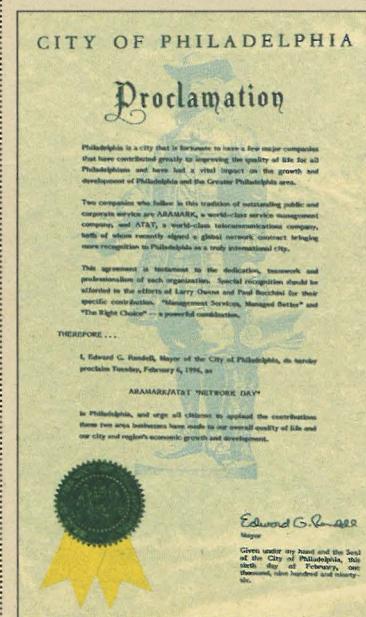
There are nine levels in the TCP ladder, from technical associate, equivalent to Salary Band A2, to technology director, or E-Band.

Seminars on the TCP and the MPP are being held in April. Human Resources will distribute schedules soon. For information, contact your Human Resources representative. ■

Lucent to Outsource IT

LUCENT TECHNOLOGIES will outsource most of its information technology (IT) infrastructure work to a subsidiary of IBM under a multi-billion dollar contract that could span 10 years. Outsourcing this work will help the company cut IT costs by as much as a third. The IBM subsidiary has

agreed to provide employment to as many as 3,000 Lucent Technologies IT managers affected by this decision. Lucent will continue to provide strategic development of information systems for customers. AT&T will continue to provide and manage Lucent's worldwide network. ■



1995 Chairman's Quality Awards Recognize Business Excellence



The people of the former CCS, such as these international consumer call servicing representatives in New York City, helped the unit shine in the 1995 Chairman's Quality Awards. Shown with Joe Nacchio, executive vice president, Consumer and Small Business division (seated) are, from left: Marya Kharchenko, Joanna Pawlak, Igor Cukrowski, Danuta Sadowski and Juanita Knight.

BY PEGGY DELLINGER

IN A YEAR WHEN IT WAS harder than ever to win, three operating units and three corporate divisions earned 1995 Chairman's Quality Awards (CQA).

Topping the list was the former Consumer Communications Services (CCS), winner of both a Bronze Business Excellence Award and its second Silver Achievement Award.

The Business Excellence Award – the company's highest honor – recognizes outstanding performance on a balanced set of results, as measured by customer, people and shareowner criteria (CVA, PVA, EVA).

"CCS's 1995 financial performance is worthy of celebration," said AT&T Chairman Bob Allen. "But our definition of business excellence demands results for all our key stakeholders. And CCS excelled not only for shareowners, but for our customers and our people as well."

CCS's Silver Achievement Award – based on an assessment of its CQA application and site visit – honors the strength of the management system that produced its exceptional business results.

Two other operating units earned awards, based on their CQA assessments and confirmed by business performance. Network Services Division (now part of Network and Computing

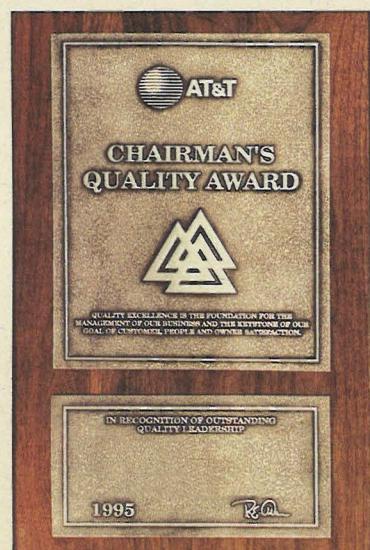
Services) earned its second Bronze Achievement Award.

Business Communications Systems (formerly Global Business Communications Systems) received a Bronze Achievement Award, as well as a Bronze Improvement Award for its year-over-year progress.

Three corporate divisions – Law, Human Resources and Global Real Estate – received Bronze Improvement Awards in recognition of their sustained progress in building quality-based management systems.

Raising the Bar

The six winning units met the most demanding requirements in CQA history. In 1995, the company raised the bar, eliminating crystal awards and



Chairman's Quality Awards are given for achievement and improvement.

upping the threshold for improvement awards.

At the same time, it tightened the link between the CQA assessment and business results. A team of officers from across the company served as this year's judges. And they looked

True Rewards

continued from page 1

merchandise and more, from an array of national corporate partners.

Among the corporate partners to offer discounts and special offers are: Blockbuster Video; Sam Goody/Musicland; Marriott Hotels, Resorts and Suites; Pearle Vision™; "TCBY"® Treats; Red Lobster; United Airlines, and Firestone Tire & Service Centers.

Members also will be able to take advantage of AT&T offers, such as 35 percent off calls made to AT&T Language Line or toll-free access to the AT&T True Rewards Vacation Hot Line for late-breaking, discounted travel packages from major airlines, hotels and cruise lines.

Starting May 1, members can simply show their membership card at participating retailers to receive rewards right away or provide their membership number when ordering by phone or mail.

"Consumers have told us they want simpler, more flexible ways to reap the benefits of being an AT&T customer," said

with a more demanding eye than ever before for evidence that the CQA assessments were validated by end-of-year business performance.

Against these tougher standards, there were fewer CQA winners this year than last. But there is much more to the story.

Improvement Across the Business

Thirty units submitted 1995 CQA applications. And when – following the September restructuring announcement – they were given the opportunity to reassess their participation, virtually all opted to complete the cycle.

Their decisions reflect the value the units place on the power of the CQA process to improve the business. And their confidence proved well founded.

In 1995, quality improved across the company and average CQA unit scores went up.

Senior Vice President and AT&T Chief Quality Officer Ken Bertaccini acknowledged the contributions of these units. "While we tend to focus on the achievements of the winners," Bertaccini said, "appreciation extends to all units who have used the demanding CQA process to move the company to new levels of business performance."

On March 29, Allen hosted a recognition luncheon for the six winning units. He took the opportunity to look ahead.

"Going forward, the stakes will be higher and the margin of error will be lower than ever before," Allen said.



The Business Excellence Award is the company's highest business honor.

"Let us commit that quality will continue to be one of the key strategies we use to lead the new companies, and that we will build on what we have learned to create even greater value for our customers, people and shareowners." ■

Dan Clark, vice president and general manager, marketing and sales, AT&T Consumer and Small Business Services.

"We're making a great customer rewards program even better. Now the everyday values customers want are more within their reach than ever."

Under the new plan, participants can earn rewards at three levels.

The basic AT&T True Rewards plan is available to any AT&T residential long-distance customer who spends at least \$5 a month on qualifying calls. Members will receive a membership card for on-the-spot discounts and offers.

True Rewards members who spend less than \$50 a month will no longer earn points as of May, but can use their card to take advantage of discounts and offers right away. Points remaining in customers' accounts can be redeemed through their expiration dates (two years from the date the points were earned) by calling 800-869-9900.

True Rewards Silver is available to customers who spend from \$50 to \$74.99 a month. Participants receive a

membership card and are eligible to earn points (one point per dollar spent on qualifying AT&T calls), redeemable for a range of products, services, discounts and other rewards.

True Rewards Gold is available to customers who spend more than \$75 a month. Participants receive the same benefits as Silver members, but earn two points per dollar spent on qualifying AT&T calls.

Consumers already enrolled in the True Rewards program who spend \$25 or more a month on qualifying calls will be automatically enrolled in the enhanced program and mailed a membership card. Other consumers can call 1-800-7REWARD (800-773-9273) to enroll.

Members who want to redeem their points for AT&T Long-Distance Gift Certificates, AT&T Universal Card certificates, a check toward AT&T paging and messaging services, a credit to their local telephone bill or an AT&T check good for cash, must do so by June 30, 1996. After that time, those rewards will no longer be available. ■



MIKE GAFFEY

AT&T Helps to Shape the Internet, The Next Wave of Communication

BY PAT RUSSO

THE PHONES AT THE 24-hour call-in center for AT&T *WorldNet* Service never stop ringing. Since AT&T announced five free hours of Internet access per month for its long-distance customers, the center has taken more than 360,000 orders for access software as of April 4. That's one order every four seconds between

Services. "AT&T intends to bring the Internet to everyone, starting with our 90 million business and residential customers. We'll be as prominent an Internet provider as we are in the long-distance and toll-free service markets."

With the Internet still in its infancy, this fervor may be hard to grasp. Today, people are on line in only 10 percent of the millions of United States homes equipped with computers and modems. The industry's growth potential, however, is staggering: 1 billion users are expected to be "surfing the net" by the year 2000. The Internet won't remain a playground for "techies" for very long.

"The market for the Internet and on-line services represents the next generation of communication," said Dan Hesse, vice president and general manager, AT&T On-Line Services. "AT&T intends to be a leader in the creation and evolution of this market – not a follower."

With its long history of customer care and easy-to-use service, AT&T has distinct advantages in the burgeoning market for on-line services. The key to AT&T's strategy for the Internet revolves around its ability to provide consumers with the best access and draw them to eye-catching content and electronic commerce. The company's offerings are targeted at the industry's three evolving market segments:

Access – Personalized Internet access for consumer and business customers at work, home or on the road.

Hosting/Electronic Commerce – Business conducted using electronic media and the Internet without the need to buy or maintain computers, networks

and expertise.

Content – Information services tailored to specific segments within consumer and business markets.

"By addressing the emerging segments of the on-line market, AT&T is fueling the growth of the Internet," said Hesse.

Seismic Shifts Alter On-Line Scenery

BY PAT RUSSO

The Internet is quickly changing the landscape of the on-line services industry. For evidence, consider the agreement between AT&T and America Online (AOL), the world's largest provider of on-line services. This summer, subscribers to AT&T *WorldNet* Service will get reduced-rate access to AOL.

On-line services were once like private estates closed to prying eyes, amply supplying their subscribers with electronic mail, airline schedules and on-line shopping capabilities. The services were like competing television networks – what was offered on one wasn't seen on another.

Each on-line service not only had its own content, but it also had a proprietary technical environment. If a merchant (like Sears) or content provider (like Time Warner) wanted to reach subscribers on one service, the merchant's content would have to be programmed to fit that technical setting – even if that content was already hosted by another on-line service.

The Internet isn't walled off into separate kingdoms like on-line services; its strength is in

the open standards that enable rich communication links. This means that a merchant or content provider isn't limited to the boundaries of an on-line service. It's accessible to anyone cruising by on the information superhighway. AT&T is leading the way for on-line services to move onto the Internet, which has meant discontinuing its own proprietary services – Network Notes and the InterChange Platform – in favor of open, Internet-based services.

"With AT&T, we will be able to leverage the most trusted brand in communications with the largest, fastest growing brand in cyberspace, resulting in tremendous growth of this new medium," said Steve Case, chairman and CEO, America Online.

"This is the first integrated consumer offer between a leading on-line service provider and a major telecommunications provider offering Internet access," said AT&T Chairman Bob Allen. "Our agreement with AOL is one more example of how AT&T is creating a new company that customers can rely on for their business and personal communications, on-line services and access to home entertainment."

Company Hustles to Meet Demand

The overwhelming response to AT&T *WorldNet* Service means the company is taking steps to address the huge demand. Staff is being added to the customer-care center and network capacity is being added to the *WorldNet* Service. With customers experiencing a delay of four to six weeks for software shipments, employees who have ordered the service are asked to be patient.

Employees should use the Online option in AT&T Mail to subscribe to AT&T *WorldNet* Service. Typing "subscribe to !internetteam:worldnet" will produce a return message providing registration information. Employees without access to AT&T Mail can call 1-800-WORLDNET.

"The market for the Internet and on-line services represents the next generation of communication."

— Dan Hesse

the *WorldNet* launch on Feb. 27 and the service's availability on March 14. Between 10,000 and 13,000 inquiries continue to arrive each day.

"This overwhelming customer response demonstrates AT&T's ability to bring large numbers of users onto the Internet," said Tom Eveslin, vice president, AT&T *WorldNet*

AT&T AND THE INTERNET

An overview of the components of AT&T's Internet strategy and the businesses implementing them.

AT&T Strategy and New Offer Development John Petrillo, executive vice president

AT&T Online Services Dan Hesse, vice president and general manager

Internet Access

AT&T WorldNet Service;
Tom Eyslin, vice president

- Gives customers an easy-to-use, convenient way to reach content on the Internet, which is a logical extension of AT&T's expertise in connecting calls over its expansive network.
- Relationships with 90 million business and residential customers, world-class customer care, and easy-to-use services differentiate AT&T's Internet offerings from competitors.

Offerings:

- AT&T WorldNet Service provides easy-to-use, dial-up Internet access.
- AT&T WorldNet Managed Internet Service focuses on providing businesses with the same access to Internet content over dedicated, high-speed connections rather than through dial-up service.
- AT&T NetWare Connect uses the AT&T network and Novell NetWare to extend the reach of local-area networks and provide Internet access.

Hosting/Electronic Commerce

AT&T EasyCommerce Services;
Kathleen Earley, vice president

- Enables businesses to reach more customers through a range of services, including electronic catalogs, secure Internet transactions, electronic mail and enhanced fax.
- Extends AT&T's success with toll-free service by providing the hosting and transactions services that businesses need to market their goods and services on line and accept orders from electronic catalogs on the Internet.

Offerings:

- AT&T Easy World Wide Web Service enables merchants to publish and transact business on the Internet without the hassle of establishing and managing a web site. They retain complete control of their content and the transactions with their customers.
- Custom Hosting packages the leading-edge software, hardware and network engineering needed to support sophisticated web sites. For example, a specially configured network and server has enabled the Disney web site to receive millions of "hits" per week.
- AT&T EasyLink Services extend customers worldwide communication capabilities with Internet messaging through electronic mail, fax transmissions, electronic data interchange and Telex. The service transmits up to 1 million billable messages a day for its customers.

Content Aggregation

- Enables content providers to package the information desired by specific market segments.
- Draws consumers and merchants with attractive content, tailored to the needs and interests of AT&T's broad customer base.

AT&T New Media Services;
Michael Kolowich, president

Offering:

- AT&T Business Network is an on-line information service designed specifically for business professionals. It features content from a range of leading publishers, including CNN Interactive, Dow Jones Business Information Services, Standard & Poor's and TRW.

AT&T Personal Online Services;
Caroline Vanderlip, president

Offering:

- AT&T Personal Online Services provides lifestyle-relevant content for consumers. The service's first offering is related to health and fitness, and includes content from Rodale Press, the nation's leading publisher of health magazines and books.

Bay Employees Promote 888 Service During Toll-Free Day



Taking a break from sales calls, Michelle Santos (third from left) and David Valenzuela (far right) of AT&T General Markets, with help from Ron Kirkpatrick (second from right), hand out free Bay Bridge passes and Golden Gate Bridge coupon books to commuters in downtown San Francisco. AT&T marked the availability of 888 toll-free service with

"Toll-Free Day" events last month in San Francisco, Chicago and New York City. AT&T volunteers gave away almost 30,000 bridge passes, subway tokens, and train and ferry tickets to commuters in those cities. Callers take free rides on AT&T's toll-free long-distance network nearly 80 million times a business day.

AT&T Sets its Sights on California

BY PAUL BUSCH

CALIFORNIA RECENTLY followed 14 previous states (Connecticut, Florida, Georgia, Illinois, Maryland, Massachusetts, Michigan, Montana, New York, North Dakota, Tennessee, Washington, Wisconsin and Wyoming) to approve certification for AT&T as a local-service provider.

On March 13, the California Public Utilities Commission (CPUC) issued its decision on the rules governing resale of Pacific Bell and GTE-California service.

Lois Hedgpeth, Local Services Organization vice president, Pacific States, said that the CPUC action requires Pacific Bell and GTE-California to offer competitors wholesale rates on services needed to serve customers in the local market.

Hedgpeth acknowledged, "We are disappointed by the

wholesale rates approved by the commission. However, while we continue to address these issues, we are going to move forward to provide a choice for California residential and business customers."

The significance of the CPUC decision is that it puts California residents one step closer to realizing the benefits of local competition.

"As early as mid-summer, we expect to begin providing customers with an array of services that will include long-distance and local, plus wireless, entertainment, and on-line services,"



NCR Recognizes Innovative Spirit Of Employees

BY ANNE WAINSCOTT

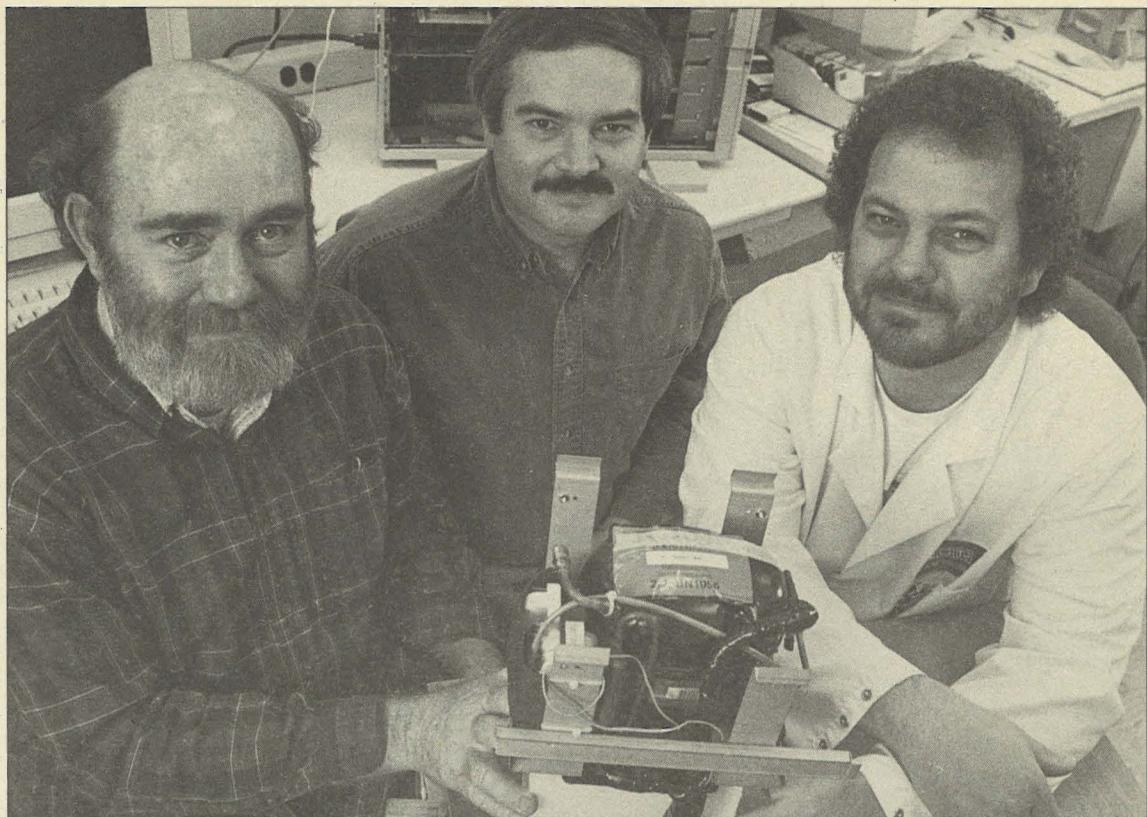
IN DUNDEE, SCOTLAND, A team carves out a strategy for a new banking self-service terminal that gives NCR a five-year competitive edge. In Atlanta, a Retail Systems team designs a scanner/scale that can read product bar codes from any side, correct a faulty label and send the accurate data to a terminal.

The people behind these achievements received one of NCR's top technical honors, the Chairman's Innovation Award, for 1995. The ingenuity of these

was dominated by box sales, we took a systems approach, which has given our customers a network of terminals that are up and running 99.8 percent of the time," said team member Jim Kirkhope. This approach created a system of self-monitoring terminals that proactively report problem situations such as being low on cash and potential module failures, allowing replenishment and maintenance to be carried out at the most convenient time for the users.

Retail Systems consulting engineer Paul Detwiler received a Chairman's Innovation Award for the concept and design of optical elements for the 7870 Bi-Optic scanner. The NCR 7870 combines the functions of the scanner with the scale, which makes cashiers' work easier and speeds lines at the checkout. The product also won an American Product Excellence Grand Award for its breakthrough design and proven market success. "At the time, the industry was debating the merits of horizontal scanners versus vertical scanners. We gave the industry both for the price of one," Detwiler said.

NCR also presented Outstanding Technical Achievement awards to two software teams in California, whose work significantly contributed to NCR's market leadership in Massively Parallel Processing (MPP) systems. The San Diego scalable



BILL BARRETT

Cooling down computer processors: NCR Cheetah Team members, from left, Wally Peters, Steve Stevens and Terry Craps in West Columbia, S.C., demonstrate the patented refrigeration cooling technology inside an NCR computer.

"This solution NCR provides is why Wal-Mart is blowing away the competition."

— Todd Walter

and other NCR innovators is contributing to the company's return to profitability and helping it secure a successful future.

The Dundee team developed a new range of self-service terminals. "In an industry that

software team developed software that allows customers to power up and monitor all their MPP systems from a single workstation.

The second team, from NCR's Large Systems Division in El Segundo, tackled another problem inherent in MPP systems: expanding relational databases so they can handle greater numbers of processors. Most large systems require hundreds of Pentium™ processors and more than a thousand disk drives, all operating simultaneously, to answer complex queries. This team's software enhancements increased the number of processors, or nodes, that NCR's Teradata database could handle from 300 to more than 500. As a result, Wal-Mart store managers can now analyze

25,000 inventory queries a week compared to 10,000 before.

"Wal-Mart thinks that if customers are unable to find a product even 1 percent of the time, it costs the company \$1 billion in lost revenues," said Todd Walter, chief technical officer, Database Development. "This solution NCR provides is why Wal-Mart is blowing away the competition."

NCR also presented Eureka Awards to employees who demonstrated fresh insight and unconventional thinking in solving a problem. That certainly applies to NCR's Cheetah Team, comprised of members from San Diego and Columbia, S.C. The team used common refrigeration cooling technology to improve the speeds of Intel microprocessors that run inside NCR com-

puters. By cooling the chips to minus 40 degrees Celsius, processing speeds can be improved by 30 percent.

The solution came by looking at technologies that are used in home refrigerators and air conditioners. "The whole secret is cooling the chip right at the chip site," said Warren Porter, who designed the critical evaporator component. So far, more than 30 patent applications have been filed on the Cheetah technology, which can be applied to other hardware products, including low-noise receivers at cellular phone sites and MRI (magnetic resonance imaging) sensors.

The innovative work of all the 1995 award winners provides a strong foundation for the new NCR. ■

Media Reporting Misses Fine Points of Downsizing Figures

BY JEAN HURT

YOU'VE SEEN THE HEADLINES, read the stories. Yet much of the reporting has missed the mark and misinterpreted what is really happening. No wonder there is confusion about jobs and layoffs.

For the past several months, AT&T has been working with the media to help reporters understand and to set the record straight. And AT&T leaders are talking with their people to clear up the confusion. Just what is the story behind restructuring and downsizing?

On Jan. 2 the company announced that its restructuring would result in 40,000 jobs going away over the next three years. Those jobs are no longer needed

as AT&T becomes a new company and spins off Lucent Technologies.

That 40,000 number hasn't changed. But there's a big difference between jobs being eliminated and people being laid off. A closer look at the 40,000 jobs reveals that:

- 4,000 are part of businesses being sold (such as the Richmond Works and AT&T Paradyne).
- 7,500 people have already accepted a voluntary offer to leave the business.
- 4,500 more people could leave through voluntary offers in other units over the next three years.
- As many as 6,000 people at risk might be able to find other jobs within AT&T as organiza-

tions grow and people retire or leave. Many of these employees most likely will develop new skills.

- The number does not include NCR, where 8,500 jobs are to be eliminated, as previously announced.

Hal Burlingame, executive vice president, Human Resources, said, "If we are successful in supporting our people, then far less than 40,000 employees – 18,000 or fewer – will have to leave the business involuntarily."

Burlingame outlined a number of initiatives that help people find jobs within or outside the company.

Seven Resource Centers give employees the tools and guidance they need to find new jobs with AT&T or other companies. Some employees have found jobs with an expanding AT&T Wireless Services business that has hosted job fairs to help it fill positions.

A nationwide job bank,

AT&T Lead Connections, lists more than 100,000 positions with 2,600 employers who are interested in AT&T people. Burlingame said nearly every person "at risk" is finding seven to 10 solid leads – some as many as 30 or 40 – through the job bank.

The company also has supported external job fairs. Also, full-page ads in major newspapers have generated thousands of calls from prospective employers.

"Letting even one talented person go is the toughest thing any manager must do," Burlingame acknowledged. "But we know the volatility of our industry means shifting requirements for people and skills. We're gratified, and not surprised, that AT&T people are much in demand by other employers."

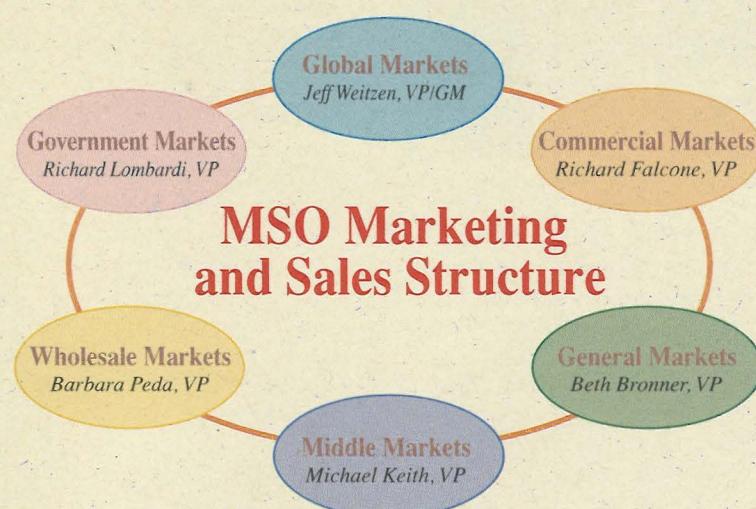
Those people who must leave the business are entitled to one of the best support packages

in American industry. Management employees receive up to 12 months of company-paid medical benefits. Eligible managers also may receive up to \$10,000 in financial aid, through the Transition Assistance Fund, for relocation, training or education for a new job, or for business start-up expenses.

The discrepancy between the 40,000 number and the 18,000 people now projected to leave involuntarily has raised many questions. Burlingame explained: "When a company does a major restructuring like this, it's necessary to indicate how many jobs are affected and to identify the associated costs. The 40,000 employee positions are our best estimate of today's jobs that, looking out three years, will no longer be needed."

"Difficult as these decisions and times are, this will help avoid far worse consequences down the road as our industry changes." ■

MSO: New Approach to AT&T's Business Customers



BY PAUL BUSCH

Editor's note: Last month, AT&T News profiled the Regional Segment Organization (RSO) and the Local Service Organization (LSO). This month, we look at the Market Segment Organization (MSO), which is within Executive Vice President Gail McGovern's Business Markets Division.

"WE ARE IN THE MIDDLE OF a dramatic transformation in the way businesses serve their customers," Gail McGovern said recently, "and that transformation represents an unprecedented opportunity for AT&T to help them succeed and achieve sustainable competitive advantage."

To step up to that opportunity, AT&T has changed the way it deals with business customers.

"The MSO is a marketing and sales structure designed to serve business customer needs in the emerging world of deregulated telecommunications," McGovern said. "Our strategy, which is part of the Target: Growth 2005 strategy, builds on the uniqueness of market segments, and focuses on customer needs by customizing solutions that may incorporate several products and services. MSO has abandoned the old practice of marketing to business customers through a product-focused, 'one-size-fits-all' strategy."

The MSO is a customer-facing organization serving a broad spectrum of business customers, all of whom typically spend more on long-distance services than they do on local services.

As the name suggests, the Market Segment Organization serves customers by market segments, rather than by region. Each segment has responsibility for customer management, financial accountability and marketing strategy. And like the Regional Segment Organization, the MSO will rely heavily on the Local Services Organization to develop

local market-entry strategies.

One segment — Wholesale Markets — stands apart. These customers are not end users, but rather aggregators, resellers, and increasingly local exchange carriers, who buy AT&T services on behalf of specific groups or businesses, or who buy bulk service and then market to end users.

The MSO parlays the strength and reputation of AT&T's premier long-distance service, both domestically and internationally, in the marketing and sales of its customer offerings. There are six market segments, each led by an officer:

General Markets

Vice President Beth Bronner

This segment is focused on meeting the needs of business customers spending between \$200 and \$500 per month on communications services. A mix of national and regional telemarketing centers serves the almost half million customers in this segment.

Commercial Markets

Vice President Richard Falcone

Customers in this segment spend between \$500 and \$5,000 per month on telecommunications. "We serve these customers through face-to-face contact," Falcone acknowledged.

Middle Markets

Vice President Michael Keith

This segment is experiencing dramatic growth. Customers cut across industry lines, and include small- to medium-size retail chains and large professional offices. Customers spend between \$5,000 and \$85,000 per month on telecommunications.

Global Markets

Vice President and General Manager Jeff Weitzen

With 6,000 employees across the United States, this group serves the 2,500 largest AT&T customers generating more than \$85,000 per month in revenue from services that include voice,

data, local, on-line — and a significant and growing amount of international traffic. In addition, Global Markets has a growing Advanced Network Solutions (ANS) business. ANS offers targeted customers network-based business solutions that help them lower their costs and enhance their customer service.

Government Markets

Vice President Richard Lombardi

Because federal government accounts have unique sales characteristics, this market is segmented by customer rather than size.

"We intend to be the company that most customers will turn to and want to partner with to execute their mission," Lombardi said. "That means combining the world's best network infrastructure with all our networking assets and capabilities, integrating them with additional technologies from other partnering companies and creating the solutions that will add value to the critical services of our customers."

Wholesale Markets

Vice President Barbara Peda

Wholesale offers are an increasingly important element in the MSO's segmented approach. "AT&T needs to be the leader in every segment of the business market, and that includes customers for wholesale offers," Peda said. She pointed out that while companies in the wholesale market often compete with AT&T for direct relationships with end users, "it's important to treat them as valued customers and to create offers that make sense to them and that keep as many minutes as possible on AT&T's network."

Customer Focus, Value Bundles and Electronic Commerce

The MSO strategy is to understand customers' needs better than competitors, and to translate that understanding into high-value-added bundles and offers that help customers improve their businesses.

"Value bundles" are business offerings that combine two or more services and are marketed as packaged solutions. The mix can combine telecommunications and nontelecom services and products. Value bundles command a higher price because the combined value of the package is greater than the sum of its components.

"Our sales of *WorldNet* and *Easy World Wide Web* services bundled with other network enhancements have resulted in premium-priced offerings to the

customer because we have solved higher-order-of-priority problems for them," Middle Markets' Michael Keith said. "Bundling works."

AT&T insists that components must have world-class, stand-alone value and be priced competitively when offered separately. A maxim in marketing is: "Two rocks tied together will not float."

Working with business customers to improve their operations has struck a responsive chord with firms of all sizes.

"There's one thing that all of our customers have in common," said Beth Bronner. "They want their businesses to be successful. However, most General Markets customers are new at doing business in the information age. They need a company they can trust to integrate a variety of services and technologies into solutions and show them the way."

"We have been undergoing our own transformation from salespeople to customer consultants," said Dick Falcone of Commercial Markets. "Value bundles with elements that solve problems in all areas of a customer's business — not just telephony — have helped us develop a reputation for using creativity and imagination in our approach."

A value bundle can enable a company to undertake new sales operations. For example, a company that wants to expand internationally could purchase AT&T Resources For New Business as part of a total AT&T long-distance package. That value bundle would facilitate entry into the international market by providing an extensive database of potential

overseas customers.

Bundles also can make it easier to manage change. If a client wants to implement a customer-service program, AT&T could package a value bundle called Toll-Free Customer Solutions. It would show how to set up a customer-service center with an AT&T toll-free number, and include discounts and training.

"Our new strategy ... builds on the uniqueness of market segments"

— Gail McGovern

For the MSO in the new AT&T, electronic commerce has become a "defining mission," McGovern said. "People are moving to storeless shopping, and paper-based sales and transactions are increasingly being conducted electronically."

Today, e-commerce has the power not only to create new business opportunities by delivering competitive advantage to savvy players, but also to create new businesses.

"The hot topic among Global Markets customers is electronic commerce," said Jeff Weitzen. "Sharing some of our work on Advanced Network Solutions seems to turn a good exchange into a real brainstorming session. Our customers are excited, and they believe we can deliver." ■

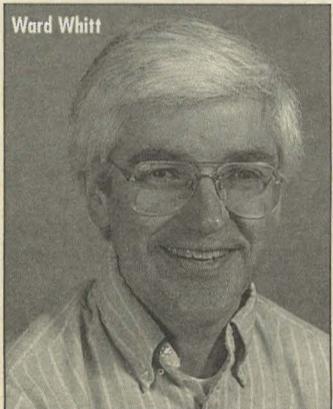
AT&T HOSTS MEETING WITH JAPANESE, U.S. WOMEN BUSINESS LEADERS



AT&T hosted the 1996 Women Entrepreneurs International Exchange Program symposium in Bedminster, N.J., March 25, attended by 400 business women from Japan and the United States. The program is an initiative of the Prime Minister's Office of Japan. Pictured from left are: Yoshio Karita, Consulate General of Japan in New York; Gail McGovern, AT&T executive vice president, Business Markets, who was host and panelist; New Jersey Governor Christine Todd Whitman, who delivered the keynote address; and Kathy Marsico, AT&T director, applications and business solutions. Marsico and Cathy-Ann Martine, AT&T director, DIRECTV, were masters of ceremony.

NEWSMAKERS

Tom Duff, member of technical staff, Bell Laboratories' Computing Science Research Department in Murray Hill, N.J., has received a scientific and technical award from the Academy of Motion Picture Arts and Sciences for his pioneering work on digital image compositing. Duff's work on compositing began in the late 1970s when he was a system designer at Lucasfilm in California. His technique was first demonstrated in "Star Trek II." Now used universally in the entertainment industry, digital compositing combines live scenes with life-like, computer-generated graphics. Sharing the honors with Duff were co-developers Alvy Ray Smith, Thomas Porter and Ed Catmull, now CEO of Pixar, producer of the recent digital-image movie, "Toy Story."



Ward Whitt, distinguished member of technical staff, AT&T Laboratories, was elected to the National Academy of Engineering for his research contributions. Whitt works in the Network Mathematics Research Department in Murray Hill, N.J.

Lucent Technologies named two executives to lead sales, marketing and new business opportunities for two regions of its Network Systems business.

David C.W. Rogers became president of the Europe, Middle East and Africa region. He was formerly chief executive of AMSTRAD Plc, a consumer electronics business in the United Kingdom. **Arthur P. Medeiros, Jr.**, was appointed president of the Caribbean/Latin America (CALA) region. He was previously executive vice president with Nortel (CALA) Corp.



Art Director **Karen Mayer** and Senior Animator **Jim Furst**, both design associates with AT&T Media Services, Bedminster, N.J., won a Bronze Worldmedal in The New York Festivals 1995 awards competition for their computer animation, "AT&T Business Solutions Pathway." Their successful blend of art and technology, which served as an opening for a Business Communications Services sales conference, can be seen at <http://www.att.com/mEDIASVC>.

Operator Reaches Out to Save Life

BY CARRIE CALNAN

BRIAN HARMON, AT&T operator at the Bloomington, Ind., office and supervisor for the day, was having an ordinary day on March 17. Then he received a transfer from another operator who had a child on the line and wasn't sure how to handle his request.

Bret Copenhagen Jr., age 3, kept repeating, "Daddy's sick; Daddy fell down." Harmon recalled, "We get prank calls from time to time from children, but you have to take them seriously until you know otherwise."

Harmon traced the city number to Suffolk County, N.Y., and quickly called local police. With the aid of a 911 operator, Brian kept young Bret on the line and assessed the situation. Bret eventually handed the phone to his father who, barely lucid, said he was having chest pains.

They knew they had to act quickly to help Bret Sr., but couldn't get the exact location of his residence.

"We asked the boy all sorts of questions to help pinpoint their location," Harmon said. "Was there a car in the driveway? If so, what color? What color was the



Brian Harmon doesn't consider himself a hero.

house?" Unfortunately, Bret did not know. Eventually he opened the front door and a police officer driving by saw the father slumped inside the house. Paramedics quickly arrived and took Bret Sr. to the hospital for treatment. Both father and son are fine.

Harmon attributes his quick, cool-headed handling of the call to the training he and all operators receive when joining AT&T Operator Services. "Rural areas may not have direct 911 service, so they wind up reaching us. We then connect them to their local police," explained Harmon. "We have to be calm and help people quickly."

"It feels great to be considered a local hero, but I'm certainly not the only operator who's ever handled an emergency call. Truthfully, I'm a little overwhelmed by all the attention. I was just doing my job." ■

DIRECTV Offer

continued from page 1

The company also said it signed a marketing agreement with United States Satellite Broadcasting Company (USSB), Inc., which offers customers a wide choice of blockbuster hits and original programs featuring more than 800 movies a month from premium movie networks and a selection of the most popular entertainment channels.

Under the agreement with DIRECTV, AT&T acquired, for \$137.5 million, 2.5 percent of the equity in DIRECTV with options to increase its investment up to 30 percent over five years under certain conditions.

Although AT&T will sell DIRECTV service to all consumers, AT&T customers are eligible for special offers:

- Zero-percent financing for up to one year on equipment purchased with the AT&T Universal Card.

- A free month of premium DIRECTV programming after 12 consecutive months as an AT&T long-distance and DIRECTV service customer.

- A free month of USSB programming upon sign-up.

- Redemption of AT&T True Rewards points to purchase DSS equipment.

- A free pay-per-view movie each week for one year from AT&T and DIRECTV.

"This deal brings the new world of entertainment and information closer to consumers' fingertips," said Joe Nacchio, executive vice president, AT&T Consumer and Small Business Division.

Consumers who order the AT&T package will receive DSS equipment consisting of the Generation Two RCA 18-inch dish, set-top box and remote; the DIRECTV Total Choice™ programming package that offers a selection of more than 65 channels, including ESPN and ESPN2, The Disney Channel, Discovery Channel and Music Choice with 29 audio channels; USSB Entertainment PLUS® package featuring popular entertainment services including Multichannel HBO, Multichannel Showtime and Nickelodeon, and MTV; and professional installation. Consumers can call 800-4-TRUE-TV to place orders. ■

To learn more about the AT&T/DIRECTV offer, visit AT&T's home page on the World Wide Web at:

<http://www.att.com>

DIRECTV's web site at:

<http://www.directv.com>

USSB's web site at:

<http://www.usstv.com>



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